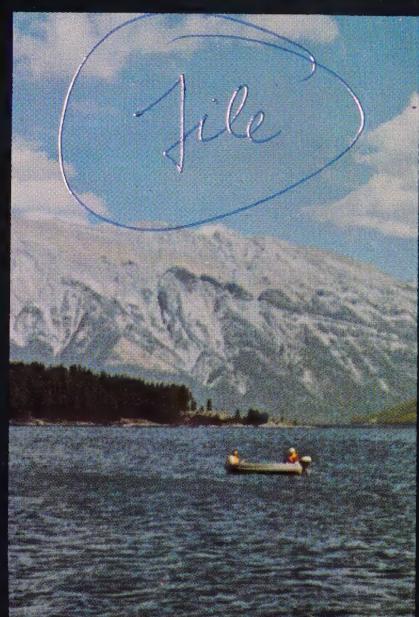
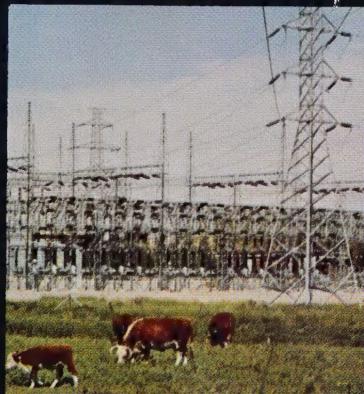
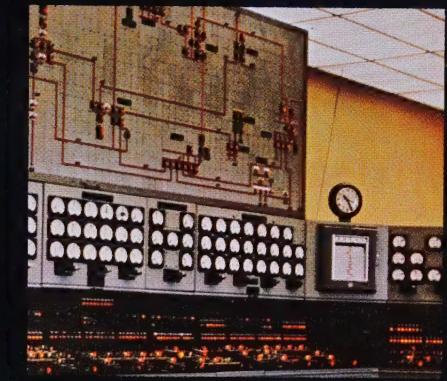


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CALGARY POWER LTD.

ANNUAL REPORT

1971





M. M. WILLIAMS



F. T. GALE



R. A. BROWN, JR.
Deceased Jan. 4th, 1972. *



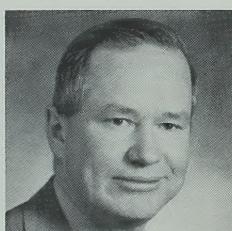
W. A. SHARMAN



E. J. MacLEOD



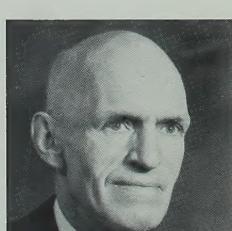
F. V. KAY



W. L. FRASER



T. D. STANLEY



R. B. CARRUTHERS



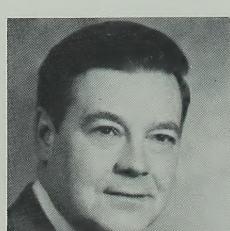
W. R. DAVIS



G. H. MILLIGAN



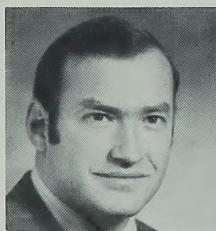
D. B. PORTER



E. W. SMITH



G. A. HADLINGTON



M. J. HALPEN



H. G. SCHAEFER



J. A. BOURNE

DIRECTORS

E. R. ALEXANDER

*R. A. BROWN, JR.

E. J. CHAMBERS, Q.C.

J. B. CROSS

A. S. GORDON

A. W. HOWARD

J. H. McLAUGHLIN

DENIS STAIRS, O.B.E., M.C.

G. H. THOMPSON, M.C.

OFFICERS

G. H. THOMPSON, *Chairman of the Board*

A. W. HOWARD, *President*

E. J. CHAMBERS, Q.C., *Vice-President
and General Counsel*

M. M. WILLIAMS, *Executive Vice-President*

F. T. GALE, *Vice-President*

W. A. SHARMAN, *Secretary-Treasurer*

F. V. KAY, *Assistant Secretary-Treasurer*

H. B. CURTIS, *Assistant Secretary*

G. L. GILKER, *Assistant Secretary (now retired)*

COMPANY OFFICIALS

T. D. STANLEY, *Manager of Production*

W. R. DAVIS, *Director of Engineering & Supply*

E. J. MacLEOD, *Assistant Director
of Engineering & Supply*

W. L. FRASER, *Manager of Engineering*

R. B. CARRUTHERS, *Manager of Supply & Operation*

G. H. MILLIGAN, *Manager of Divisions*

D. B. PORTER, *Director of Public Relations*

E. W. SMITH, *Marketing Manager*

G. A. HADLINGTON, *Director of
Administrative Services*

M. J. HALPEN, *Assistant Director of
Administrative Services*

H. G. SCHAEFER, *Director of Finance*

J. A. BOURNE, *Controller and Chief Accountant*

1971

HIGHLIGHTS

	1971	1970
Load in Kilowatt-Hours (millions)	6,573	5,993
Gross Revenue from Operations	\$ 63,002,000	\$ 56,848,000
Operating Expenses	\$ 20,291,000	\$ 18,247,000
Taxes, Income and Other	\$ 8,381,000	\$ 10,027,000
Net Income	\$ 12,881,000	\$ 11,686,000
Earnings Per Common Share . \$	2.18	1.97
Dividends Declared Per Common Share	\$ 1.00	\$.85
Capital Expenditures	\$ 49,895,000	\$ 49,945,000
Property Account	\$365,994,000	\$328,299,000
Total Customers, Direct and Indirect	291,000	277,000

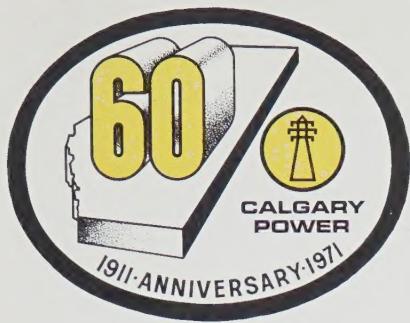


*Board of Directors review first co
three-book volume was specially
60th Anniversary.*

*Seated from left to right:
J. H. McLaughlin, J. B. Cross, R.
G. H. Thompson, M.C., A. W. H.*

Missing from photo, Denis Stairs





Board of Directors review first copies of "Our Alberta Heritage" books. The three-book volume was specially prepared to commemorate the Company's 60th Anniversary.

Seated from left to right:

J. H. McLaughlin, J. B. Cross, R. A. Brown Jr., (deceased), E. J. Chambers, Q.C., G. H. Thompson, M.C., A. W. Howard, E. R. Alexander, A. S. Gordon.

Missing from photo, Denis Stairs, O.B.E., M.C., shown in individual picture at right.





The Control Centre—Seebe

1971 in review

REPORT TO THE SHAREHOLDERS

Your Directors submit, herewith, their Annual Report for the year ended December 31, 1971, together with audited financial statements consolidated with your Company's wholly-owned subsidiaries, excluding Farm Electric Services Ltd. The shares of Farm Electric Services Ltd. (a non-profit organization) are shown as an investment at their cost to the Company.

60th ANNIVERSARY

May 21, 1971 was the Company's 60th Anniversary, and to commemorate this event the Company published a series of books entitled "Our Alberta Heritage". By the end of the year 48,000 sets of these books on Alberta history had been distributed to schools, libraries, senior citizens and the public at large.

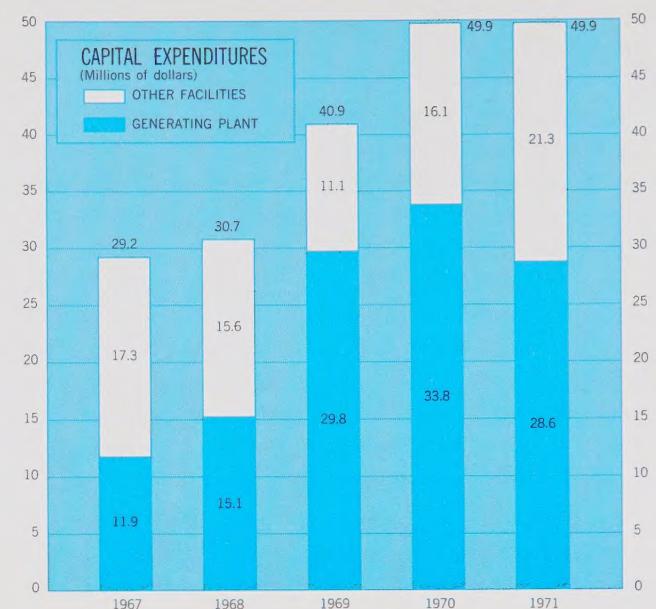
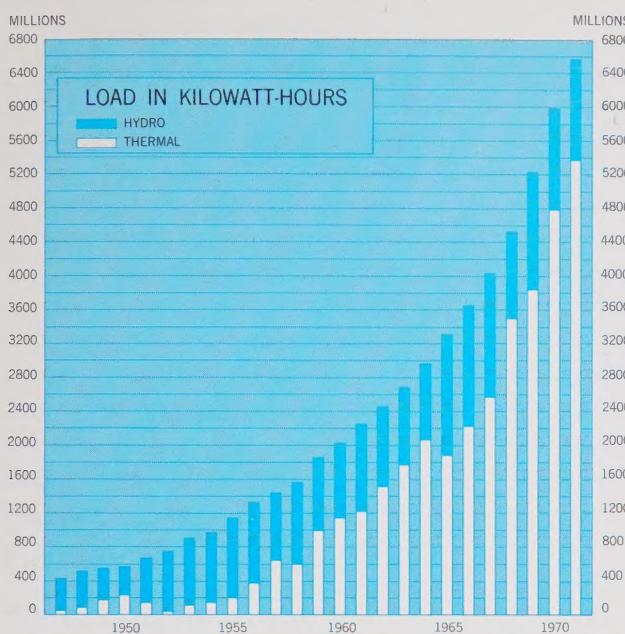
The Company can look back over the past sixty years with a sense of pride and accomplishment. From meagre beginnings it has planned and constructed a large, modern and efficient electric power system which now consists of twelve hydro-electric plants and two steam electric plants having a total net capability of 1,535,000 kilowatts, made up of 680,000 kilowatts of hydro and 855,000 kilowatts of thermal generation. Its high voltage transmission system of 4,432 miles of lines and the 13,323 miles

of sub-transmission and distribution circuits, which extend throughout its service area of 75,000 square miles, provides the electric energy requirements of over 1,000,000 Albertans and covers much of the settled parts of the Province. The Company's power system is highly automated and for maximum efficiency and reliability is interconnected with all the other major power plants in Alberta and with the system in the adjoining Province of British Columbia.

The Company has grown with Alberta, expanding as needed in providing reliable and low cost electric service to meet the demands of the dynamic economy which the Province enjoys. The counterpart to all these achievements is that throughout the 60 years of its existence, the cost of electricity has consistently declined with constant improvements in the quality of service to the consumer.

EARNINGS

Net income in 1971 was \$12.9 million, an increase of \$1.2 million over net income reported for 1970. Included in this income was a reduction in income tax of \$2.3 million as the result of the tax exemption obtained by the Company on its coal mining operation at the new Highvale Mine. Tax exemption on the income from this mine was granted by the Department of National Revenue for the three-year period commencing November 1, 1970. In addition,



interest has been reduced by approximately \$480,000 as a result of interest adjustments arising from the final assessment of the Company's income tax returns for the years 1964 to 1968.

Earnings per common share were \$2.18 in 1971 as compared to \$1.97 in 1970, an increase of 21 cents per share.

During the year four quarterly dividends of 25 cents were declared upon each of the outstanding common shares. The balance of \$1.18 per share, amounting to \$6.3 million, was retained for use in the business.

OPERATIONS

Gross revenue from operations in 1971 was \$63.0 million, an increase of 10.8% above gross revenue for 1970. Consolidated operating expenses, depreciation, income tax and other taxes amounted to \$40.9 million, up \$1.7 million over 1970.

The high rate of load growth which the Company has experienced in recent years continued throughout 1971. The load supplied by the Company's power system during the year was 6,573 million kilowatt-hours as compared to 5,993 million kilowatt-hours in 1970, an increase of 9.7% while the system peak in 1971 was 1,206,000 kilowatts as against 1,107,000 kilowatts in the previous year. Kilowatt-hour sales increased by 10.5% over sales in 1970. The largest increase was registered by the oil and gas industry whose energy requirements were up 26.7%. Town retail, farms and wholesale customers all showed substantial gains over the preceding year. The accompanying tabulation illustrates the growth of sales and revenue over the five-year period of 1967-1971.

Year	Sales in Kilowatt-hours (000,000 omitted)	% Increase over Previous Year	\$ Gross Revenue (000 omitted)	% Increase over Previous Year
1967	3,587	9.4	41,930	8.2
1968	4,039	12.6	46,493	10.9
1969	4,689	16.1	51,053	9.8
1970	5,308	13.2	56,848	11.4
1971	5,866	10.5	63,002	10.8

While it is not generally recognized, the Company is engaged in a highly competitive business selling electricity in competition with low cost natural gas and other alternative sources of energy. For this reason and to encourage more efficient use of our capital intensive plant, it has over the years endeavoured to develop a forward looking marketing programme directed towards supplying the requirements of its customers for electric service in the home, on the farm, in commercial establishments and in industry.

CAPITAL PROGRAMME

Capital expenditures in 1971 totalled \$49.9 million, the same as for 1970, and over the past five years have aggregated \$200.6 million.

Major projects carried out under the 1971 programme included the following:

Bighorn Storage and Power Development

Work continued on the construction of the Bighorn Storage and Power Development on the North Saskatchewan River, some eighty miles upstream from the Town of Rocky Mountain House. This development is scheduled for completion in late 1972 and when brought into operation will add 108,000 kilowatts to the Company's generating capability.

Sundance Steam Electric Plant

Work was also continued on the construction of the second unit with a generating capability of 286,000 kilowatts at the Sundance Steam Electric Plant. This unit is at present scheduled to be placed in operation on the Company's system in late 1973. In addition an application was filed with the Energy Resources Conservation Board of Alberta for permission to install two additional units at the Sundance Plant. These units, which will each have a nominal rating of 375,000 kilowatts, will be the largest on the Company's system and are scheduled for commissioning in September 1976 and September 1977 respectively.

High Voltage Transmission System

The Company's high voltage transmission system was further expanded by the construction of a 240 KV line from Benalto to Calgary, a distance of 90 miles. This line was constructed as a double circuit steel tower line to make provision for a future additional 240 KV circuit which will be required in the mid 1970's.

In addition, a number of 138 KV line extensions were completed totalling 179 miles and the construction of 10 new 138 KV substations was undertaken.

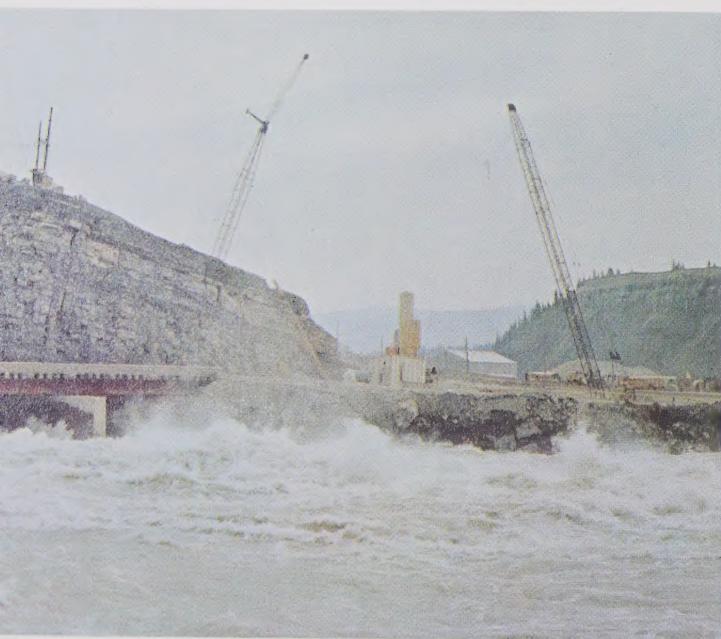
FINANCING

In past years the Company has financed its capital and other expenditures through the use of internally generated funds, supplemented by the sale of debt securities and preferred shares as required. During the five-year period from 1967 to 1971, external financing amounted to 54% of total capital expenditures.

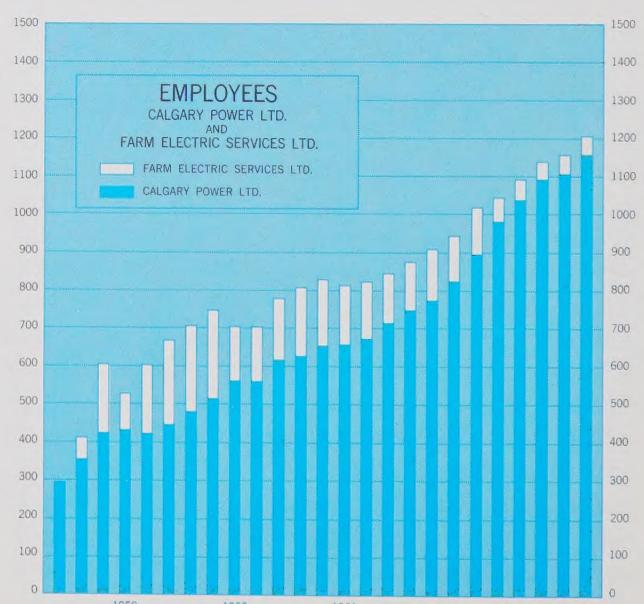
To lessen the impact of high interest rates, the Company has made use of a variety of financing arrangements such as the issuance of short term promissory notes, medium term (one to five year) debentures, and to a limited extent the use of export credit facilities in respect of plant and equipment purchased abroad. The Company, in its use of the medium term debenture, is unique among utilities in Canada. The medium term debenture has made possible greater flexibility in its financing, thus avoiding the issue of long term debt at a time when market conditions appeared unattractive, or when interest rates seemed unduly high.

During the year 89,540 shares of the 5.40% Cumulative Redeemable Convertible Preferred stock were converted into 327,856 shares of common stock mainly on the basis of 3½ Common Shares for each preferred share. This conversion privilege attaching to the remaining 5.40% Cumulative Redeemable Convertible Preferred Shares is now three Common Shares for each 5.40% Preferred Share until November 30, 1976 when it expires.

Capital and other expenditures in 1971 initially were financed by internal sources, a bank loan and short term promissory notes, and through the sale of \$5.25 million of Series A medium term secured debentures. In December 1971, the Company issued additional secured debentures in the principal amount of \$25 million. These twenty-year debentures were marketed in Canada to yield 8.05% and were given a favourable reception by institutional and private investors. The proceeds of this issue were applied to the bank loan and the repayment of short term promissory notes.



Bighorn construction site



INCOME TAX LEGISLATION

In the 1970 Annual Report reference was made to the Federal Government's proposal in its White Paper on Tax Reform to disallow the tax credit to shareholders of electric and gas utility companies with respect to income taxes paid by these companies which are returned to the provincial governments under the Public Utilities Income Tax Transfer Act. However, in December 1971, legislation was approved by Parliament which did not contain this provision and consequently shareholders of electric and gas utilities will continue to be entitled to the same dividend tax credit that will be available to shareholders of other corporations.

Also effective from June 30, 1971, the Federal Government eliminated the 3% surtax on income tax and further reduced corporate income taxes by 7% of the amount of tax otherwise payable until the end of the December 31, 1972 fiscal period.

PROVINCIAL LEGISLATION

Two bills enacted by the Alberta Legislature in 1971 are of particular interest to the Company.

Bill 61 is the authority to reconstitute the Oil and Gas Conservation Board as the Energy Resources Conservation Board of Alberta. In addition to carrying on all of the functions of the Oil and Gas Conservation Board, the new Board will assume most of the duties of the former Alberta Power Commission which was dissolved on June 1, 1971.

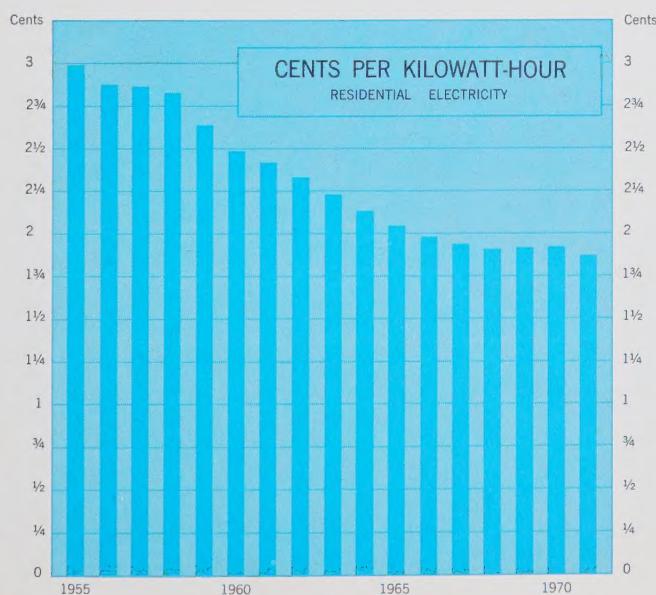
Bill 76 is The Hydro and Electric Energy Act (Alberta) which will be administered by the Energy

Resources Conservation Board. This new Act will bring under one administrative authority all the energy resources of Alberta, including the conservation and regulation of energy resources such as oil, gas, coal, water and electricity, the transmission of energy resources, and safety practices in the energy resources industries.

RATES FOR ELECTRIC SERVICE

In the years since the end of the Second World War, the Company's load has experienced a compound growth rate of approximately 11.5% per year. This high load growth has been due to the rapid development of Alberta's economy over the past number of years, motivated largely by the oil and gas industry and the associated industrial development. Throughout most of this period and in fact up until the mid-1960's, the Company, by reason of its rapidly expanding business, was able to pass on to its customers in the form of rate reductions some of the major economies of scale which resulted from its use of larger and more efficient generating plants, low cost fuel from its mining operations and the substantially increased transmission capability resulting from the decision taken some years ago to proceed with the development of a 240,000 volt system.

However, over the last five or more years the Company's business, which is continuing to expand rapidly, has been exposed to a high rate of inflation, soaring construction costs and sharply increased interest rates on long term debt. These greatly increased costs can no longer be offset by operating economies. As a result, the Company's real earnings, apart from



Number 1 unit—Sundance

tax savings, have tended to decline and this situation is aggravated by the need for additional capital to refund maturing debt and to provide for large expenditures in non-productive equipment for the alleviation of pollution. Furthermore, the ratio of long term debt to total capitalization has tended to increase and will increase further in view of essential capital expenditures and the smaller portion thereof which can be financed from internal sources, unless additional equity capital is raised in the near future to stem the deterioration of the debt ratio. Earnings will have to be permitted to attain levels which will offset the higher cost of doing business, attract the greatly increased requirements for new capital and maintain the quality of the Company's securities. The experience of recent months confirms that there is very little abatement in the upward trend of power costs. The unrelenting escalation of the cost of materials and labour, high interest rates and the many side effects of an inflationary economy have resulted in a strong upward pressure on the cost of producing and distributing electricity.

ORGANIZATION STRUCTURE

The growing complexity of business under today's conditions requires particular emphasis by the organization on future planning and corporate decision making. The Company's organization is under constant review in an endeavour to match its future business goals with the rapidly changing needs of society. An imaginative and energetic group of young, highly trained employees is growing up in the organization which gives promise of a continuing flow of new ideas and concepts in the evolution of modern business and assures the best uses in the long range of the Company's total resources.

THE COMPANY AND THE ENVIRONMENT

Electricity will continue to play a vital role in all phases of Alberta's rapidly expanding economy. The importance increases as it assumes a growing significance in the cleaning up of our environment—for sewage and water treatment, for waste disposal and recycling, public transportation and many other uses to make our surroundings more habitable. In the past decade electric power consumption has more than doubled and in the next decade it is expected that it will double again. This results in a dilemma of major proportions, that is, the need to supply ever increasing quantities of electric energy and at the same time control pollution within tolerable limits. The production of electricity in thermal power stations produces certain pollutants and cannot help

but have some effect on the environment. The Company is aware of the anxiety to preserve the environment and recognizes that measures can and should be taken to reduce the impact. Towards this goal efficient electrostatic precipitators are being installed in power stations to reduce air pollutants and the Company is actively studying other areas of pollution abatement. The facilities required for such purposes tend to be highly sophisticated and expensive and to some extent on the fringes of present technology. As a result, the prudent course of action to be taken, based upon sound methodology and a balancing of costs and benefits within the conflicting interests of society as a whole, is difficult to determine. However, it is obvious that when the high cost of pollution control is added to rising costs resulting from inflation, the cost of electricity will be inescapably higher than it has been heretofore.

THE FUTURE

Over the past sixty years Calgary Power Ltd. has become an integral part of Alberta and has a major stake in its prosperity. With a continuation of the rapid economic growth which the Province has been experiencing, the Company can reasonably expect a high rate of growth in its electric power operations for some time to come. Given the right to earn a fair rate of return on its investment the Company is confident that, with the resources at its disposal and a group of talented and motivated people, it can meet the challenges of the future and continue to provide adequate economical and reliable electric service with minimum adverse effect on the environment. In this way it hopes to contribute to the further development of Alberta's economy and share in its prosperity.

It is with deep regret that your Directors record the death on January 4, 1972, of Mr. Robert A. Brown, Jr. who was elected to the Board of Directors at the meeting of April 29, 1966. Mr. Brown was President of Home Oil Company Limited, and a director of several large corporations. His wide business experience, wise counsel and sound judgment will be greatly missed.

Your Directors wish to express their appreciation to all employees for their efforts on behalf of the Company during 1971, which have contributed in large measure to the success of the year's operations.

Submitted on behalf of the Board of Directors,

A. W. HOWARD,
President.

February 18, 1972

FINANCIAL INFORMATION



Lake Minnewanka

CALGARY POWER LTD. **CONSOLIDATED 10 Y**

	1971	1970	1969
Financial Record (Thousands of Dollars)			
Gross revenue from operations			
Residential, general service and small industry	\$ 16,622	15,042	14,033
Industry	21,361	18,776	16,389
Cities and towns under wholesale contracts	16,334	15,145	13,158
Farms	7,258	6,588	6,271
Total electrical	\$ 61,575	55,551	49,851
Other revenue	1,427	1,297	1,202
Gross revenue from operations	\$ 63,002	56,848	51,053
Operating deductions			
Operating expenses	\$ 20,291	18,247	15,167
Taxes, other than taxes on income	2,851	2,597	2,442
Depreciation	12,200	10,900	9,500
Taxes on income	5,530	7,430	7,530
	\$ 40,872	39,174	34,639
Operating income	\$ 22,130	17,674	16,414
Income deductions			
Interest on first mortgage bonds	6,515	6,600	6,426
Interest on other long term debt	4,425	2,151	1,304
Other interest (net)	360	1,493	342
Interest charged to construction (credit)	(2,051)	(4,256)	(2,235)
	\$ 9,249	5,988	5,837
Net income for the year	\$ 12,881	11,686	10,577
Dividends on preferred shares	1,204	1,345	1,345
	\$ 11,677	10,341	9,232
Appropriations to reserve for rate adjustments	—	—	—
Earnings applicable to common shareholders	\$ 11,677	10,341	9,232
Earnings per common share (2)	\$ 2.18	1.97	1.76
Dividends per common share	\$ 1.00	.85	.80
Statistical Record			
KWH Sales (Millions)			
Residential, general service and small industry	718	636	597
Industry	2,242	1,957	1,735
Cities and towns under wholesale contracts	2,482	2,336	1,998
Farms	424	379	359
	5,866	5,308	4,689
Customers			
Served directly	146,193	139,925	135,161
Served indirectly through wholesale contracts	145,224	137,004	140,283
Generating capability (Net MW)			
Hydro	680	680	680
Thermal	855	855	569
Purchased	5	5	5
	1,540	1,540	1,254
Capitalization ratio			
Long term debt	62.5	59.7	56.2
Preferred shares	5.8	9.9	11.4
Common shareholders' equity	31.7	30.4	32.4
	100.0	100.0	100.0

Note: (1) Excluding income tax savings from the coal mining operation.

(2) 1965 and prior years adjusted to include interest charged to construction as income.

R GROWTH SUMMARY

1968	1967	1966	1965	1964	1963	1962
14,041	13,046	12,169	11,921	11,207	10,550	10,358
14,412	12,195	11,547	10,906	9,975	9,380	8,737
11,436	10,537	9,319	9,350	8,389	7,594	7,118
5,675	5,406	4,988	4,822	4,302	3,950	3,952
45,564	41,184	38,023	36,999	33,873	31,474	30,165
929	746	717	673	685	598	516
46,493	41,930	38,740	37,672	34,558	32,072	30,681
13,333	12,877	10,828	9,541	8,952	8,763	7,507
2,126	1,948	1,823	1,688	1,493	1,280	995
8,500	7,400	6,900	6,400	5,800	5,500	5,101
7,350	6,660	5,210	6,270	5,730	5,940	6,470
31,309	28,885	24,761	23,899	21,975	21,483	20,073
15,184	13,045	13,979	13,773	12,583	10,589	10,608
5,343	4,478	4,464	3,958	3,614	3,146	2,698
897	717	697	618	568	496	416
816	558	451	299	237	264	331
(1,822)	(2,432)	(1,564)	(828)	(1,175)	(593)	(1,600)
5,234	3,321	4,048	4,047	3,244	3,313	1,845
9,950	9,724	9,931	9,726	9,339	7,276	8,763
1,345	1,374	535	535	535	535	535
8,605	8,350	9,396	9,191	8,804	6,741	8,228
—	—	1,100	1,000	900	(250)	250
8,605	8,350	8,296	8,191	7,904	6,991	7,978
1.64	1.59	1.58(1)	1.56(1)	1.50(1)	1.33	1.52
.80	.72½	.70	.65	.60	.60	.55
608	555	508	475	426	376	343
1,441	1,219	1,148	1,039	931	861	794
1,669	1,510	1,347	1,186	1,045	942	877
321	303	277	257	223	200	187
4,039	3,587	3,280	2,957	2,625	2,379	2,201
40,244	136,837	133,517	131,970	129,695	125,086	121,211
23,324	116,724	113,744	110,866	107,353	103,392	98,823
680	680	490	490	325	325	325
569	283	283	283	283	283	283
5	11	11	11	16	16	26
1,254	974	784	784	624	624	634
55.9	54.4	52.8	58.9	58.4	58.3	56.9
12.0	13.0	14.2	7.0	7.6	8.2	9.1
32.1	32.6	33.0	34.1	34.0	33.5	34.0
100.0	100.0	100.0	100.0	100.0	100.0	100.0

ASSETS

	1971	1970
Property Account:		
Land, buildings, plant and equipment at cost (Note 2)	\$468,247,000	\$419,381,000
Less accumulated depreciation (Note 3)	102,253,000	91,082,000
	<u>365,994,000</u>	<u>328,299,000</u>
Investments—at cost:		
Shares of unconsolidated subsidiary (Note 1)	20,000	20,000
Other	133,000	146,000
	<u>153,000</u>	<u>166,000</u>
Current:		
Cash	298,000	377,000
Accounts receivable	6,258,000	6,691,000
Materials and supplies at average cost	2,462,000	2,534,000
Prepaid expenses	155,000	132,000
	<u>9,173,000</u>	<u>9,734,000</u>
Deferred Charges:		
Financing costs less amortization	1,782,000	1,042,000
Other	211,000	317,000
	<u>1,993,000</u>	<u>1,359,000</u>
	<u><u>\$377,313,000</u></u>	<u><u>\$339,558,000</u></u>

(See accompanying notes)

BALANCE SHEET

December 31, 1971 and 1970

LIABILITIES

	1971	1970
Shareholders' Equity:		
Common shares	\$ 14,994,000	\$ 6,040,000
Earnings retained for use in the business	<u>83,036,000</u>	76,705,000
Total common shareholders' equity	98,030,000	82,745,000
Preferred shares	18,046,000	27,000,000
Total shareholders' equity	<u>116,076,000</u>	<u>109,745,000</u>
 Long Term Debt	<u>194,932,000</u>	<u>162,950,000</u>
 Current:		
Bank loan	3,750,000	2,700,000
Short term notes payable	2,070,000	11,437,000
Accounts payable and accrued charges	9,322,000	5,702,000
Income and other taxes payable	367,000	287,000
Dividends payable	1,610,000	1,649,000
Accrued interest on long term debt	2,036,000	1,803,000
Consumers' deposits	377,000	374,000
Sinking fund instalment due within one year	—	1,466,000
	<u>19,532,000</u>	<u>25,418,000</u>
 Deferred Credits and Other Items:		
Deferred income taxes (Note 4)	34,622,000	31,076,000
Contributions in aid of construction	9,151,000	7,369,000
Reserve for rate adjustments	3,000,000	3,000,000
	<u>46,773,000</u>	<u>41,445,000</u>
 On behalf of the Board:		
(Sgd.) E. R. ALEXANDER, Director.		
(Sgd.) J. H. McLAUGHLIN, Director.		
	<u>\$377,313,000</u>	<u>\$339,558,000</u>

(See accompanying notes)

CALGARY POWER LTD.**CONSOLIDATED STATEMENT OF INCOME**

Years ended December 31, 1971 and 1970

	1971	1970
Gross revenue from operations	\$63,002,000	\$56,848,000
Operating deductions:		
Operating expenses	20,291,000	18,247,000
Taxes, other than taxes on income	2,851,000	2,597,000
Depreciation (Note 3)	12,200,000	10,900,000
Taxes on income including deferred portion (Note 4)	5,530,000	7,430,000
	40,872,000	39,174,000
Operating income	22,130,000	17,674,000
Income deductions:		
Interest on first mortgage bonds	6,515,000	6,600,000
Interest on other long term debt	4,425,000	2,151,000
Other interest (net)	360,000	1,493,000
Interest charged to construction (credit)	(2,051,000)	(4,256,000)
	9,249,000	5,988,000
Net income for the year	12,881,000	11,686,000
Deduct:		
Dividends—		
Preferred shares	1,204,000	1,345,000
Common shares	5,346,000	4,462,000
	6,550,000	5,807,000
Transferred to consolidated statement of earnings retained for use in the business	\$ 6,331,000	\$ 5,879,000
Earnings per share of common stock:		
On average shares actually outstanding	\$2.18	\$1.97
Assuming conversion of the 5.40% convertible preferred shares	\$2.14	\$1.92

(See accompanying notes)

**CONSOLIDATED STATEMENT OF EARNINGS
RETAINED FOR USE IN THE BUSINESS**

Years ended December 31, 1971 and 1970

	1971	1970
Balance at beginning of year	\$76,705,000	\$70,826,000
Transferred from consolidated statement of income	6,331,000	5,879,000
Balance at end of year	\$83,036,000	\$76,705,000

(See accompanying notes)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Years ended December 31, 1971 and 1970

	1971	1970
Source of Funds		
From operations:		
Net income for the year	\$12,881,000	\$11,686,000
Add items not involving funds—		
Depreciation	12,200,000	10,900,000
Deferred income taxes	3,546,000	6,290,000
	28,627,000	28,876,000
Issue of Long Term Debt:		
Notes Payable—Secured	3,399,000	837,000
Secured Debentures	30,252,000	29,334,000
Notes Payable—Other	260,000	710,000
Sundry Indebtedness	1,700,000	—
Other	1,161,000	1,265,000
	\$65,399,000	\$61,022,000
Application of Funds		
Capital expenditures:		
Production	\$28,602,000	\$33,795,000
Transmission	7,304,000	4,604,000
Substations	4,118,000	2,691,000
Distribution	6,981,000	6,510,000
Other	2,890,000	2,345,000
	49,895,000	49,945,000
Dividends:		
Preferred shares	1,204,000	1,345,000
Common shares	5,346,000	4,462,000
Reduction of Long Term Debt	3,629,000	1,461,000
Decrease (increase) in bank and other short term loans	8,317,000	(482,000)
Decrease (increase) in working capital deficiency exclusive of changes in bank and other short term loans	(2,992,000)	4,291,000
(See accompanying notes)	\$65,399,000	\$61,022,000

AUDITORS' REPORT

To the Shareholders,
Calgary Power Ltd.

We have examined the consolidated balance sheet of Calgary Power Ltd. and its subsidiaries and the statements of long term debt and capital stock as at December 31, 1971 and the consolidated statements of income and earnings retained for use in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada.
February 9, 1972.

(Sgd.) CLARKSON, GORDON & CO.,
Chartered Accountants.

STATEMENT OF LONG TERM DEBT

December 31, 1971 and 1970

	1971	1970
First Mortgage Bonds . . .	\$110,516,000	\$113,707,000
Notes Payable — Secured . .	8,260,000	5,615,000
Secured Debentures . . .	58,436,000	29,334,000
Notes Payable — Other . .	16,020,000	15,760,000
Sundry Indebtedness . . .	1,700,000	—
	<u>194,932,000</u>	<u>164,416,000</u>
Deduct sinking fund instalment due within one year . . .	—	1,466,000
	<u>\$194,932,000</u>	<u>\$162,950,000</u>

First Mortgage Bonds

3 1/4 % Series due 1972 . .	\$ 6,159,000	\$ 6,335,000
3 1/2 % Series due 1972 . .	4,220,000	4,310,000
3 3/8 % Series due 1972 . .	4,390,000	4,745,000
4 1/8 % Series due 1972 . .	4,685,000	4,875,000
4 7/8 % Series due 1972 . .	1,940,000	3,880,000
7 3/4 % Series due 1973 . .	1,000,000	1,000,000
7 3/4 % Series due 1974 . .	1,000,000	1,000,000
7 3/4 % Series due 1975 . .	3,000,000	3,000,000
4 1/2 % Series due 1976 . .	3,300,000	3,300,000
7 3/4 % Series due 1976 . .	3,000,000	3,000,000
8 1/4 % Series due 1976 . .	2,500,000	2,500,000
5 1/2 % Series due 1977 . .	6,997,000	6,997,000
8 1/4 % Series due 1977 . .	2,500,000	2,500,000
5 1/2 % Series due 1978 . .	3,700,000	3,700,000
4 % Series due 1979 . .	3,165,000	3,165,000
5 3/4 % Series due 1981 . .	9,400,000	9,400,000
5 3/4 % Series due 1982 . .	8,000,000	8,000,000
5 3/4 % Series due 1983 . .	9,000,000	9,000,000
5 5/8 % Series due 1984 . .	7,000,000	7,000,000
6 % Series due 1985 . .	8,560,000	9,000,000
7 1/2 % Series due 1988 . .	12,000,000	12,000,000
7 7/8 % Series due 1989 . .	5,000,000	5,000,000
	<u>\$110,516,000</u>	<u>\$113,707,000</u>

The First Mortgage Bonds are secured by a first and specific mortgage and charge upon certain of the Company's lands, buildings, plant and equipment and by a first floating charge upon all other assets situated in the Province of Alberta.

The First Mortgage Deed securing the issues provides for a sinking fund for the retirement of First Mortgage Bonds payable on September 1 each year of 1% of the original principal amount of First Mortgage Bonds previously issued.

	1971	1970
Notes Payable — Secured		
5 1/2 % Series due 1972 to 1978 . . .	\$8,061,000	\$5,615,000
6 % Series due 1978 . .	199,000	—
	<u>\$8,260,000</u>	<u>\$5,615,000</u>

These notes have no authorized limit and are secured by a \$6,000,000 First Mortgage Bond 5 1/2 % Series due 1978, a \$12,000,000 First Mortgage Bond of the Series due 1982, and a \$1,600,000 U.S. First Mortgage Bond 6 % Series due 1982. Such notes are payable in sterling (£3,166,787) and U.S. dollars (\$197,000) and have been stated in Canadian funds at the rate of exchange prevailing at the date of issue.

(See accompanying notes)

	1971	1970
Secured Debentures		
Series A — maturing one to five years at interest rates varying from 6 3/4 % to 9 1/2 %	\$ —	\$ 1,150,000
Due 1971	321,000	321,000
Due 1972	656,000	656,000
Due 1973	5,121,000	121,000
Due 1975	7,103,000	7,086,000
Due 1976	235,000	—
	<u>13,436,000</u>	<u>9,334,000</u>
Series B — 9 3/8 % Due 1990	20,000,000	20,000,000
Series C — 8 % Due 1992	25,000,000	—
	<u>\$58,436,000</u>	<u>\$29,334,000</u>

The Debentures are secured by a floating charge on the property and assets of the Company subject to the first and specific mortgage and charge and first floating charge securing the First Mortgage Bonds.

	1971	1970
Notes Payable — Other		
1972	\$ —	\$ 2,650,000
1973	3,400,000	3,400,000
1974	2,750,000	2,750,000
1975	3,550,000	3,550,000
1976	3,410,000	3,410,000
1977	2,910,000	—
	<u>\$16,020,000</u>	<u>\$15,760,000</u>

These notes, which are unsecured and have no authorized limit are payable to Farm Electric Services Ltd., bear interest at the prevailing prime bank interest rate (6% at December 31, 1971) and mature December 31st in each year.

The above notes represent a portion of funds contributed by members of Rural Electrification Co-operative Associations which have been invested, with the approval of the Alberta Director of Co-operative Activities, for their account by Farm Electric Services Ltd. as their agent.

Annual Requirements

The annual requirement for sinking fund and for repayment of maturing issues of currently outstanding long term debt for each of the following years is:

Year ended December 31		
	Annual Requirement	
	Sinking Fund	Maturing Issues
1972	\$ —	\$ 22,499,000
1973	621,000	5,981,000
1974	1,316,000	10,225,000
1975	1,536,000	15,445,000
1976	1,441,000	14,216,000

The requirement shown for maturing issues will be reduced to the extent of purchases of these issues for sinking fund purposes. Sinking fund requirements for 1972 and \$505,000 for 1973 have been satisfied by bonds purchased and cancelled in 1971.

The Long Term Debt of \$22,499,000 maturing in 1972 has been excluded from current liabilities in the accompanying balance sheet as it is expected that it will be refinanced with long term borrowing.

STATEMENT OF CAPITAL STOCK

December 31, 1971 and 1970

		1971	1970
Common shares of no par value			
Authorized — 7,500,000 shares			
Issued — 5,577,856 (1970 — 5,250,000)		<u>\$14,994,000</u>	<u>\$ 6,040,000</u>
Preferred shares of \$100 each			
Authorized — 600,000 shares			
Issued — cumulative redeemable preferred shares			
50,000 4% Series		\$ 5,000,000	\$ 5,000,000
30,000 4½% Series		3,000,000	3,000,000
40,000 5% Series		4,000,000	4,000,000
60,460 (1970 — 150,000) 5.40% Series (convertible)		6,046,000	15,000,000
		<u>\$18,046,000</u>	<u>\$27,000,000</u>

During the year 327,856 common shares were issued on conversion of 89,540 preferred shares of the 5.40% Series. The remaining preferred shares of the 5.40% Series are convertible into 3 common shares for each preferred share converted up to and including November 30, 1976 and 181,634 common shares have been reserved for such conversion for 254 shares to cover fractional certificates.

The preferred shares are redeemable only at the option of the Company on the following basis: 4% Series and 4½% Series at \$103 per share; 5% Series at \$103 per share to October 1, 1973 and at par thereafter; 5.40% Series at \$102.50 per share to November 30, 1976 and at par thereafter.

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1971

1 Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, The Alberta Southern Coal Company Ltd. and The Calgary Water Power Company, Limited, both of which are inactive, and Kanek Transmission Company Limited, which owns a transmission line extending from the Company's hydro-electric plants on the Kananaskis River near the British Columbia border through British Columbia to the Crowsnest Pass in southern Alberta. The other wholly-owned subsidiary, Farm Electric Services Ltd., is not consolidated as it is a non-profit organization which organizes, constructs, operates and maintains, at cost, electric distribution systems owned by farmers' co-operative associations. The shares of Farm Electric Services Ltd. are shown as an investment at their cost to the Company.

2 Property Account

The land, buildings, plant and equipment, including property under construction of \$50,881,000 (\$20,023,000 as at December 31, 1970) is carried at cost as defined in the regulations issued under the Dominion Water Power Act, and the Alberta Water Resources Act, and has been agreed to and fixed by the Alberta Minister of Water Resources to December 31, 1969 pursuant to the applicable statutes and regulations.

3 Depreciation

The companies provide for depreciation in amounts approximately equivalent to the amounts which would be provided on a straight line basis using a composite rate of 3%. This basis was derived from a comprehensive study of properties, plant and equipment and the related accumulated depreciation which was completed in 1964 and which included depreciation calculations on a sinking fund basis (recognizing loss in value as a result of physi-

cal, functional and other causes) applied to costs adjusted for variation in the purchasing power of the dollar year by year and also on a straight line basis applied to actual costs.

4 Income Taxes

Included in taxes on income for the year is an amount of \$3,546,000 representing income taxes otherwise payable in respect of the year, payment of which has been deferred as a result of the companies claiming, for tax purposes, depreciation and other expenses in amounts greater than those charged in the accounts.

The Company's application for a three year income tax exemption on income derived from the Highvale coal mine has been approved, with effect from November 1, 1970. As a result, income taxes otherwise payable for the year ended December 31, 1971 have been reduced by approximately \$2,300,000.

5 Pension Plan

The Company has a retirement pension plan covering substantially all employees. Based on actuarial advice the unfunded past service obligation of \$1,795,000 is being funded and charged to operations in annual amounts of \$164,000.

6 Directors and Officers

The board of directors consists of nine directors of whom three are officers of the Company. The aggregate remuneration paid during 1971 by the Company to the directors as directors was \$8,500 and to the nine officers as officers was \$93,120. In addition the Company paid \$86,764 indirectly for the services of certain of the officers and directors.

CALGARY POWER LTD.

CORPORATE INFORMATION

Head Office

110 - 12th Avenue South West, Calgary, Alberta

Transfer Agents

For Preferred Shares:

CROWN TRUST COMPANY, Calgary, Montreal, Toronto, Vancouver
Montreal Trust Company, Regina, as Agent of Crown Trust Company

For Common Shares:

MONTRÉAL TRUST COMPANY, Calgary, Montreal, Toronto, Winnipeg, Regina, Vancouver

Registrars

For Preferred Shares:

THE ROYAL TRUST COMPANY, Calgary, Montreal, Toronto, Regina, Vancouver

For Common Shares:

MONTRÉAL TRUST COMPANY, Calgary, Montreal, Toronto, Winnipeg, Regina, Vancouver

Trustees and Registrars

For First Mortgage Bonds:

MONTRÉAL TRUST COMPANY, Montreal

For Debenture Issues:

THE ROYAL TRUST COMPANY, Calgary

Auditors

CLARKSON, GORDON & Co., Chartered Accountants, Calgary

Solicitors

SAUCIER, JONES, BLACK, GAIN, STRATTON & LAYCRAFT, Calgary

DUNCAN & CRAIG, Edmonton

A L B E R T A







CALGARY
POWER

NEWS RELEASE

BOX 1900, CALGARY

R -

ANNUAL REPORT - Sidebar A

April 14, 1972

CALGARY -- Calgary Power Ltd. reported a 9.7% increase in growth during 1971, from 5,993,000,000 kilowatt-hours in 1970 to 6,573,000,000, says President A.W. Howard in the annual report to shareholders released today.

Gross revenue from operations in 1971 was \$63,002,000, an increase of \$6,154,000 over 1970. This is an increase of 10.8%. Earnings per common share increased to \$2.18 from \$1.97 in 1970.

Capital expenditures for 1971 amounted to \$49,895,000. Most of this was channelled to the company's latest projects, Sundance Steam Electric Plant and The Bighorn Storage and Power Development.

Net income in 1971 was \$12,881,000 an increase of \$1,195,000 over 1970. The company declared a total dividend of \$1.00 on each of the common shares, retaining \$1.18 per share for use in the business.

Mr. Howard said consolidated operating expenses, income tax and other taxes amounted to \$28,672,000 for the year.

FOR FURTHER INFORMATION:

D.B. Porter,
Director, Public Relations,
Calgary Power Ltd.,
267-7333.



CALGARY
POWER

NEWS RELEASE

BOX 1900, CALGARY

ANNUAL REPORT

April 14, 1972

Due to the prevailing inflationary economy the cost of producing electricity continues to rise and in order to offset this, it is essential that the company's earnings seek higher levels, A.W. Howard, President of Calgary Power Ltd., told shareholders in the company's annual report released this week.

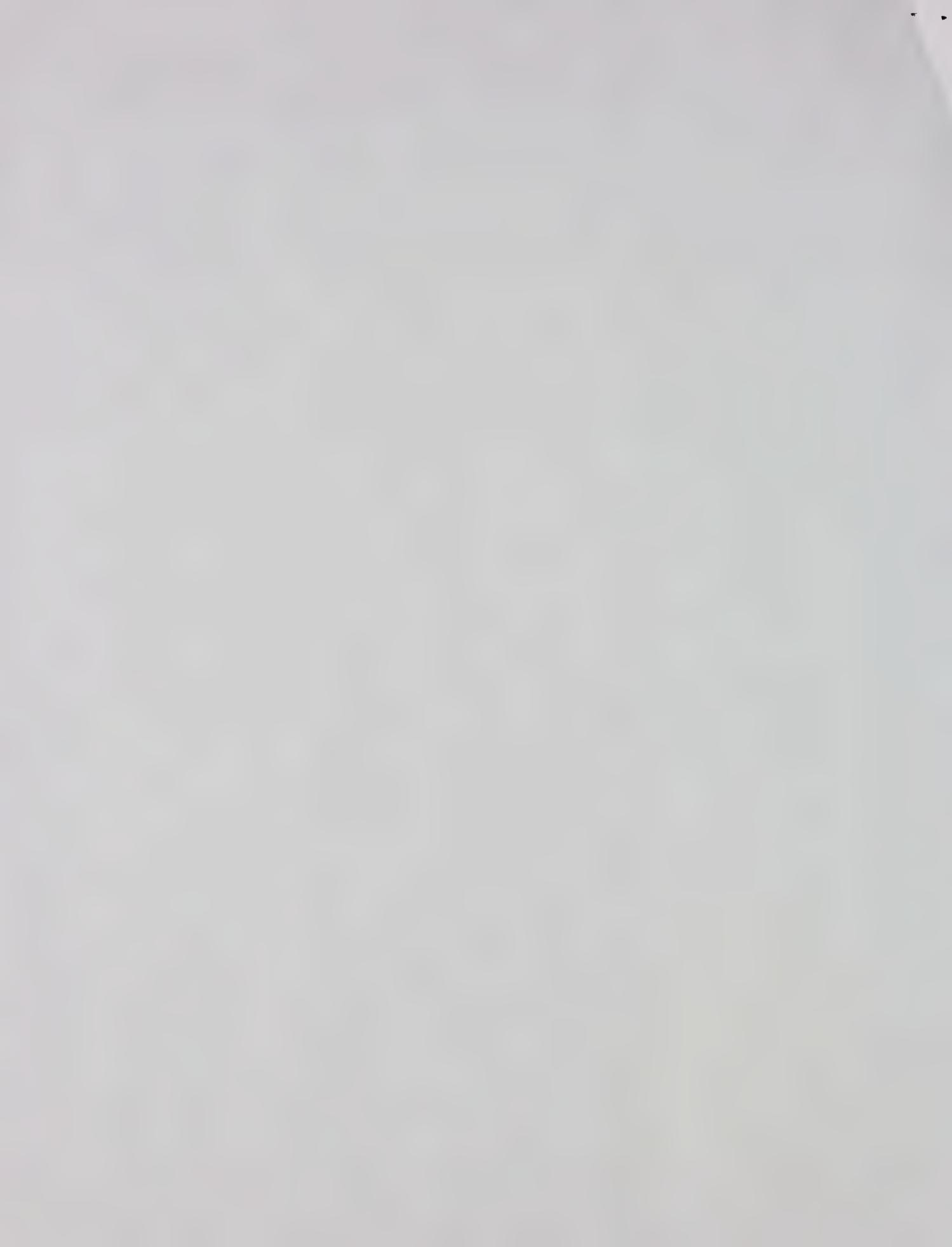
"The experience of recent months confirms that there is very little abatement in the upward trend of power costs", Mr. Howard said.

The report covers the operations of the company for 1971.

In the years since the end of the Second World War the company's load has experienced a compound growth rate of approximately 11.5%. This high load growth has been due to the rapid development of Alberta's economy over the past number of years, and motivated largely by the oil and gas industry and the associated industrial development, he said.

"Throughout most of this period and in fact up until the mid-1960s, the Company, by reason of its rapidly expanding business was able to pass on to its customers, in the form of rate reductions, some of the major economies of scale which resulted from its use of more efficient generating plants, low cost fuel and substantially increased transmission capability."

However, Mr. Howard said, inflation, soaring construction costs and sharply increased interest rates have put severe economic pressures on the company.



"These greatly increased costs can no longer be offset by operating economies."

But he also noted that electric energy "assumes a growing significance in the cleaning up of our environment - for sewage and water treatment, for waste disposal and recycling, public transportation and many other uses to make our surroundings more habitable."

Mr. Howard said that the production of electricity in thermal power stations produces certain pollutants and cannot help but have some effect on the environment.

He stressed that the company is aware of the anxiety to preserve the environment and recognizes that measures can and should be taken to reduce the impact and steps are being taken to assure that this effect is kept to a minimum.

He said the company is installing electrostatic precipitators at its major coal-fired generating plants to reduce air pollutants, and is actively studying other areas of pollution abatement.

The company president stressed that the costs of environmental control are high and when these costs are added to rising costs in other areas of the business "the cost of electricity will be inescapably higher."

During 1971 work continued on the Bighorn Storage and Power Development on the North Saskatchewan River, 80 miles west of Rocky Mountain House. This development will add 108,000 kilowatts to the company's system when brought into operation later this year.

In addition construction also continues on Calgary Power's Sundance Steam Electric Plant on Lake Wabamun, west of Edmonton. The generating unit under construction -- the second for the plant -- will begin generating power in 1973, with a capacity of 286,000 kilowatts.

In May, 1971, the company celebrated its 60th anniversary of service to Albertans with the publication of the "Our Alberta Heritage" book series. By the end of the year 48,000 of the 3-book sets had been distributed and Calgary Power Ltd. is very pleased with the public's enthusiastic response.

CALGARY POWER LTD.**Interim Consolidated Statement of Source
and Application of Funds**

6 Months Ended June 30
1971 1970

SOURCE OF FUNDS

From operations:

Net income for the period	\$ 6,557,000	\$ 6,122,000
Add items not involving funds —		
Depreciation	6,150,000	5,417,000
Deferred income taxes	<u>1,771,000</u>	<u>2,085,000</u>
	<u>14,478,000</u>	<u>13,624,000</u>

Proceeds from issue of long term debt:

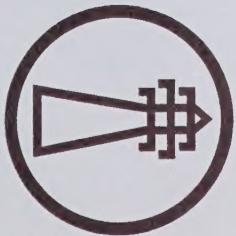
Notes Payable — Secured	1,472,000	586,000
Secured Debentures — Series A	5,252,000	3,439,000
Sundry Indebtedness	1,700,000	—
Increase in working capital deficiency exclusive of changes in bank and other short term loans	4,501,000	(937,000)
Other	<u>384,000</u>	<u>592,000</u>
	<u><u>\$27,787,000</u></u>	<u><u>\$17,304,000</u></u>

APPLICATION OF FUNDS

Capital expenditures	\$21,178,000	\$20,052,000
Dividends:		
Preferred shares	663,000	673,000
Common shares	2,631,000	2,100,000
Decrease in bank and other short term loans	824,000	(6,938,000)
Reduction of Long Term Debt	<u>2,491,000</u>	<u>1,417,000</u>
	<u><u>\$27,787,000</u></u>	<u><u>\$17,304,000</u></u>

**INTERIM
REPORT**

June 30, 1971

**CALGARY
POWER****AR09**

CALGARY POWER LTD.

TO THE SHAREHOLDERS

Interim Consolidated Statement of Income (Subject to year end adjustments and audit)

	6 Months Ended June 30 1971	12 Months Ended June 30 1971	6 Months Ended June 30 1970	12 Months Ended June 30 1970	
Gross revenue from operations	\$31,922,000	\$28,567,000	\$60,203,000	\$53,294,000	
Operating deductions:					
Operating expenses	10,042,000	8,744,000	19,567,000	16,872,000	
Taxes other than taxes on income	1,470,000	1,317,000	2,728,000	2,395,000	
Depreciation	6,150,000	5,417,000	11,633,000	10,118,000	
Taxes on income including deferred portion	3,300,000	4,115,000	6,615,000	7,026,000	
	<u>20,962,000</u>	<u>19,593,000</u>	<u>40,543,000</u>	<u>36,411,000</u>	
Operating income	<u>10,960,000</u>	<u>8,974,000</u>	<u>19,660,000</u>	<u>16,883,000</u>	
Income deductions:					
Interest on long term debt	5,362,000	4,069,000	10,044,000	8,107,000	
Other interest (net)	(137,000)	860,000	496,000	1,057,000	
Interest charged to construction (credit)	(822,000)	(2,077,000)	(3,001,000)	(3,411,000)	
	<u>4,403,000</u>	<u>2,852,000</u>	<u>7,539,000</u>	<u>5,753,000</u>	
Net income for the period	6,557,000	6,122,000	12,121,000	11,130,000	
Dividends on preferred shares	663,000	673,000	1,336,000	1,345,000	
Earnings applicable to common shares	\$ 5,894,000	\$ 5,449,000	\$ 10,785,000	\$ 9,785,000	
Earnings per share of common stock:					
On average shares actually outstanding	\$1.12	\$1.04	\$2.05	\$1.86	
Assuming conversion of the 5.40% convertible preferred shares	\$1.08	\$1.01	\$2.00	\$1.83	

Your Directors are pleased to report that the Company's application for a three-year income tax exemption on income derived from the Highvale Coal Mine has recently been approved with effect from November 1, 1970. As a result, income taxes otherwise payable for the six months ended June 30, 1971 have been reduced by approximately \$1,100,000. In addition, the Company has recently settled its income tax returns for the years 1964 to 1968 resulting in a reduction of interest of approximately \$480,000.

In the 1970 Annual Report reference was made to the Federal Government's proposal in its White Paper on Tax Reform to disallow the tax credit to shareholders of electric and gas utility companies with respect to income taxes paid by these companies which are returned to the provincial governments. Draft legislation has recently been introduced by the Federal Government wherein this proposal has been removed and shareholders of electric and gas utilities will be entitled to the same dividend tax credit that is available to shareholders of other public companies.

CALGARY POWER LTD.

August 13, 1971